

**ST. THOMAS COMMUNITY HEALTH CENTER, INC.
FINANCIAL AND COMPLIANCE AUDIT
DECEMBER 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 14 2011

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Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Thomas Community Health Center, Inc.

We have audited the accompanying statement of financial position of St. Thomas Community Health Center, Inc. (a non-profit corporation) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of St. Thomas Community Health Center, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Thomas Community Health Center, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2011 on our consideration of St. Thomas Community Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants as of and for the year ended December 31, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of St. Thomas Community Health Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Silva Gurtner & Abney, LLC

May 26, 2011

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS	
Cash	\$ 863,394
Restricted cash	78,229
Accounts receivable	646,555
Prepaid expenses and other assets	26,660
Deposits	1,975
Construction in progress	942,021
Furniture, equipment and leasehold improvements, net of accumulated depreciation	<u>590,956</u>
Total assets	<u><u>\$ 3,149,790</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 134,828
Due to plan trustee	<u>3,695</u>
Total liabilities	<u>138,523</u>
NET ASSETS	
Unrestricted	2,683,038
Temporarily restricted	<u>328,229</u>
Total net assets	<u>3,011,267</u>
Total liabilities and net assets	<u><u>\$ 3,149,790</u></u>

See accompanying independent auditors' report and notes to financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenues			
Contributions	\$ 34,329	\$ -	\$ 34,329
Grant revenues	85,249	2,870,354	2,955,603
Patient revenues	172,254	-	172,254
Medicare and Medicaid	1,385,360	-	1,385,360
Program reimbursements	554,376	-	554,376
Private insurance	84,915	-	84,915
Donated medical supplies	409,546	-	409,546
Donated facilities	18,000	-	18,000
Donated services	108,500	-	108,500
Other revenues	4,531	-	4,531
Net assets released from restriction	<u>4,241,463</u>	<u>(4,241,463)</u>	<u>-</u>
 Total operating revenues	 7,098,523	 (1,371,109)	 5,727,414
Operating expenses			
Health care	4,130,606	-	4,130,606
Management and general	<u>1,732,572</u>	<u>-</u>	<u>1,732,572</u>
 Total operating expenses	 <u>5,863,178</u>	 <u>-</u>	 <u>5,863,178</u>
 Change in net assets	 1,235,345	 (1,371,109)	 (135,764)
 Net assets - beginning of year	 <u>1,447,693</u>	 <u>1,699,338</u>	 <u>3,147,031</u>
 Net assets - end of year	 <u>\$ 2,683,038</u>	 <u>\$ 328,229</u>	 <u>\$ 3,011,267</u>

See accompanying independent auditors' report and notes to financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Health Care</u>	<u>Management and General</u>	<u>Total</u>
Salaries, related payroll taxes and benefits	\$ 2,183,862	\$ 698,584	\$ 2,882,446
Professional fees and contract services	772,404	436,283	1,208,687
Accounting, audit and legal fees	-	149,074	149,074
Billing services	-	90,893	90,893
Depreciation	81,419	121,668	203,087
Insurance	90,326	3,408	93,734
Lab testing and diagnostics	36,558	-	36,558
Other	79,486	38,885	118,371
Postage	-	6,000	6,000
Rent	118,680	-	118,680
Repairs and maintenance	44,773	28,734	73,507
Supplies	122,829	81,589	204,418
Donated medical supplies	409,546	-	409,546
Donated facilities	18,000	-	18,000
Donated services	108,500	-	108,500
Trash and waste removal	17,352	4,032	21,384
Travel, meetings, conferences, continuing education	24,518	32,172	56,690
Utilities	22,353	41,250	63,603
Total expenses	<u>\$ 4,130,606</u>	<u>\$ 1,732,572</u>	<u>\$ 5,863,178</u>

See accompanying independent auditors' report and notes to financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (135,764)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	203,087
Change in operating assets and liabilities:	
Accounts receivable, prepaid expenses, and other assets	(520,006)
Accounts payable and accrued liabilities	76,936
Due to plan trustee	<u>63</u>
Net cash used in operating activities	(375,684)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of furniture, equipment and leasehold improvements	(25,604)
Construction in progress	(942,021)
Maturity of investments	<u>73,701</u>
Net cash used in investing activities	<u>(893,924)</u>
Net decrease in cash	(1,269,608)
Cash - beginning of year	<u>2,211,231</u>
Cash - end of year	<u><u>\$ 941,623</u></u>
RECONCILIATION TO THE STATEMENT OF FINANCIAL POSITION	
Cash	\$ 863,394
Restricted cash	<u>78,229</u>
Total cash	<u><u>\$ 941,623</u></u>

See accompanying independent auditors' report and notes to financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

St. Thomas Community Health Center, Inc. (the Clinic), formerly St. Thomas Health Services, Inc., is a Federally Qualified Health Center (FQHC), community-based, non-profit, primary health clinic that provides ambulatory health care services, including specialty care and diagnostic testing services. Serving both insured and uninsured patients, a large percentage of the patients are the medically indigent, under-insured and uninsured of the greater New Orleans and surrounding area(s).

St. Thomas Health Services, Inc. was founded in 1987 to improve the health status in the service area with major emphasis being placed on disease prevention. Due to the lingering affects of Hurricane Katrina, St. Thomas Health Services, Inc. discontinued operations on June 30, 2006 and was reformed on July 1, 2006 as St. Thomas Community Health Center, Inc.

Start-up funds, equipment, as well as on-going financial support for the operation of the Clinic, in a neighborhood where 70-80% of the residents are uninsured and where 10% of the patients are homeless, have been obtained primarily from federal, state and city programs as well as private sources and various grants.

The Clinic makes use of support services offered by neighboring social service agencies and hospitals and the New Orleans medical community. The Clinic also lends its support through the provision of specialized laboratory testing, diagnostic services and hospitalization services at low or no cost.

The Clinic is governed by a ten (10) member Board of Directors (the Board) all of whom serve until their resignation or removal from the Board.

In order to assist in meeting its goals and mission of providing services as a primary health care clinic, the Clinic has applied for and has been awarded several governmental grants. During the year ended December 31, 2010, the Clinic received and administered the following:

GOVERNMENTAL GRANTS

Maternal and Child Health Care Program

This program, funded by a grant from the State of Louisiana, Department of Health and Hospitals, provided services as follows:

- (i) Comprehensive pediatric care to a defined number of children,
- (ii) Comprehensive health care to a defined number of adult women and adolescents of child bearing age,
- (iii) Social work and nutritionist services,
- (iv) Coordination of maternal and child health services offered with CIC and Medicaid, and
- (v) Development of outreach programs to increase access to primary health care.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Primary Care Access and Stabilization Grant

This program, administered by the Louisiana Public Health Institute, a non-profit corporation funded through the Department of Health and Hospitals, provides neighborhood-based, integrated health care services to residents in hurricane affected communities.

Health Resources and Services Administration Grants

These grants, administered by the Department of Health and Human Services and funded by the American Recovery and Reinvestment Act (ARRA) of 2010, are being used to establish a New Access Point (NAP). The federal award will add revenues of \$667,000 per year for operational expenses associated with the care of the Medicare, Medicaid and uninsured populations. In addition to the NAP award from HRSA, the Clinic has also been awarded a Capital Improvement Project (CIP) award of \$250,000 to purchase medical exam room equipment, and an Increased Demand for Services (IDS) award in the amount of \$101,000 to provide Obstetric care.

LSU Contracts

These contracts, funded by Louisiana State University, provide mammography and breast cancer detection and prevention. The program also provides for comprehensive breast and cervical cancer screening and education services, which may include mammograms, clinical breast exams, pap-tests, and pelvic exams.

Community Development Block Grants

This program funded by the Department of Housing and Urban Development provides communities with resources to address a wide range of unique community development needs. The Clinic utilized these funds to acquire a facility to house their expansion.

PRIVATE FOUNDATION AND TRUST PROGRAMS

Eye, Ear, Nose & Throat (EENT)

The Eye, Ear, Nose & Throat Program, funded primarily by the Stauffer Trust Estate, provides eye, ear, nose and throat care for qualified indigent and uninsured patients at normal costs.

Susan Komen Breast Cancer Foundation

The Susan Komen Breast Cancer Foundation, a private foundation, provides mammography, breast cancer education, and surgical oncology consultation for uninsured and underinsured women in the New Orleans region and surrounding parishes.

The Kresge Foundation

The Kresge Foundation, a private foundation, provides capital needs to community development organizations working in rural, urban and older-suburban neighborhoods to enhance grassroots participation, resident empowerment, physical revitalization, neighborhood cohesion, wealth-building, housing and, in some cases, youth opportunity.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

OTHER

Entergy

Entergy is a corporate sponsor that provides additional grant funding to the greater New Orleans area.

Basis of Reporting

The financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. The Clinic classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted and permanently restricted net assets according to externally (donor) imposed restrictions.

A description of the three net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Clinic are included in this category. The Clinic has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Clinic and, therefore, the Clinic's policy is to record these net assets as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. As of December 31, 2010, the Clinic had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenues received under government grant programs are recognized when earned. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Cash Equivalents

For purposes of the statement of cash flows, the Clinic considers all investments purchased with a maturity of three months or less to be cash equivalents.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Medical Supplies, Services, and Facilities

Donated medical supplies are recorded at fair value as received and include medications and related medical supplies donated to the Clinic. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Clinic. Donated facilities are recorded at fair market value and include the Clinic's parking lot surface, which is not included in the Clinic's building lease.

NOTE B – CASH

Cash (or resulting bank balances) are secured by \$250,000 in federal deposit insurance. At December 31, 2010, the Clinic had deposits with a local financial institution in excess of the federal deposit insurance limits by \$697,046. Management has not experienced any losses in the past and does not believe it is exposed to a significant amount of credit risk.

NOTE C – ACCOUNTS RECEIVABLE

As of December 31, 2010, accounts receivable consisted of the following:

Accounts receivable – net patient billing	\$ 169,991
Grants receivable	476,564
	<u>\$ 646,555</u>

Management believes that all receivables are collectible and as such has not recorded an allowance for uncollectible accounts.

NOTE D – CONSTRUCTION IN PROGRESS

During 2010, the Clinic purchased and began renovations on an adjacent property for the purpose of expanding their capacity. The property qualified as a "quality low-income community investment" and was funded, in part, with the aid of New Market Tax Credits, which closed in March 2011. At that time, two related companies were organized to account for these transactions.

Construction in progress is stated at cost and is not depreciated in accordance with generally accepted accounting principles; therefore, no depreciation expense related to construction in progress was recorded in 2010.

NOTE E – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements of the Clinic are recorded as assets and are stated at historical cost, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE E – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, continued

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3-5 years
Leasehold improvements	7 years

As of December 31, 2010, such assets and related accumulated depreciation consisted of the following:

Furniture and fixtures	\$ 50,241
Computer equipment	27,303
Leasehold improvements	773,941
Machinery and equipment	406,851
Accumulated depreciation	(667,380)
	<u>\$ 590,956</u>

NOTE F – LINE OF CREDIT

A revolving line of credit, which bears interest at a rate equal to the greater of the Prime Rate or 4.5% (4.5% at December 31, 2010), is provided to the Clinic under terms of a credit agreement which expires July 2011. The terms of the agreement allow the Clinic to borrow up to \$200,000. The Clinic had no balance outstanding on this line at December 31, 2010. The line of credit is secured by a pledge of all the Clinic's assets.

NOTE G – ECONOMIC DEPENDENCY

The primary source of revenue for the Clinic is federal, state and local grants and contracts provided through various funding agencies. The continued success of the Clinic is dependent upon the renewal of contracts from current funding sources as well as the Clinic's ability to obtain new funding.

NOTE H – UNRESTRICTED CONTRIBUTIONS

Contributions consisted of donations made to the Clinic to provide support to the operation of the Clinic as well as to fund specific projects as designed by the donor or the Board of Directors.

NOTE I – GOVERNMENTAL GRANTS

The Clinic is the recipient of various government grants. Included in government grant revenues are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of the Clinic.

The method of payment on the grants depends on the grant agreement. Some grants are received on a lump sum basis and expenses are applied against the funds. Other grant expenses are on a cost reimbursement basis.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE J – PATIENT REVENUES

The Clinic provides medical assistance to eligible Medicaid and Medicare recipients and receives reimbursements from the State of Louisiana's Department of Health and Hospitals and the U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) for claims submitted in conjunction with those services provided.

In addition to patient revenues, the Clinic also received patient insurance payments. For the year ended December 31, 2010, the Clinic received \$723,499 in reimbursements for Medicaid and Medicare claims submitted. The Clinic also received \$661,861 of Medicaid funds from the GNOCHC waiver program. The GNOCHC program period is from October 2010 to December 2013.

NOTE K – BUILDING LEASE

In January 1991, the Clinic executed a fifteen (15) year lease agreement with the Society of Redemptorists Order for the use of a building located at 1020 St. Andrew Street. The terms of the lease require the Clinic to be responsible for the complete renovation of the building, upkeep and maintenance of the property, utilities and insurance coverage for the building and its contents.

A new three year lease agreement was signed with the Society of Redemptorists Order for the building which terminated December 31, 2010 and is eligible to be renewed on a yearly basis after that date. The Clinic renewed this lease in 2011. The building is to be used solely for the purpose of a neighborhood primary health care facility.

In addition, in January 2011 the Clinic renewed their lease for 2010 Magazine Street, which expires in January 2013. Scheduled minimum lease payments for the years ending December 31, 2011 and 2012 are \$45,000 for each year.

NOTE L – PENSION PLAN

Effective January 1, 2006, the Clinic established the St. Thomas Community Healthcare Center Retirement Plan (the Plan), a 401(k) Plan. Employees over the age of 18, who have worked for the Clinic for more than 90 days, and have 1,000 hours of service in a plan year, are eligible to participate in the Plan. Plan expenses may be paid by the Clinic or by the Plan. Matching contributions are determined annually by the Clinic. The Clinic matches 100% of employee contributions up to 6% of gross pay. For the year ended December 31, 2010, the Clinic incurred \$82,009 administrative costs and matching contributions related to the Plan.

NOTE M – INCOME TAXES

The Clinic is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

ST. THOMAS COMMUNITY HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE N – CONTINGENCY

The Clinic is a recipient of several grants and awards of Federal and State funds. These grants and awards are governed by various Federal and State guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the contract and administration of the Clinic and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 26, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER REPORTS AND SUPPLEMENTARY SCHEDULES



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
St. Thomas Community Health Center, Inc.

We have audited the financial statements of St. Thomas Community Health Center, Inc. (the Clinic) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinic's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clinic's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Clinic's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities and it is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 26, 2011



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

To the Board of Directors
St. Thomas Community Health Center, Inc.

Compliance

We have audited the compliance of St. Thomas Community Health Center, Inc. (the Clinic) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2010. The Clinic's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Clinic's management. Our responsibility is to express an opinion on the Clinic's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clinic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Clinic's compliance with those requirements.

In our opinion, St. Thomas Community Health Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

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Internal Control Over Compliance

The management of the Clinic is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Clinic's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinic's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities and it is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

May 26, 2011

**ST. THOMAS COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Federal Grantor/ Pass through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Development :		
Passed through the City of New Orleans:		
Community Disaster Block Grant	14.218	\$ 850,000
U.S. Department of Health and Hospitals:		
Direct Award through Health Resources and Services Administration:		
ARRA – Health Center Integrated Services Development Initiative, Recovery Act Health Center Cluster Program Grant	93.703	761,726
Capital Improvement Program	93.703	73,744
Increase Services to Health Centers	93.703	95,055
Health Center Cluster	93.224	14,282
Passed through Louisiana Public Health Institute:		
Centers for Medicare and Medicaid Services (CMS) Research, Primary Care Access and Stabilization Grant	93.779	<u>1,575,011</u>
Total expenditures of federal awards		<u><u>\$ 3,369,818</u></u>

Notes to Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of St. Thomas Community Health Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report.

**ST. THOMAS COMMUNITY HEALTH CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Part I – Summary of Auditors’ Results

1. Type of report issued on the financial statements: **Unqualified.**
2. Did the audit disclose any reportable conditions in internal control: **None Reported.**
3. Were any of the reportable conditions material weaknesses: **Not Applicable.**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization: **None Reported.**
5. Did the audit disclose any reportable conditions in internal control over major programs: **None Reported.**
6. Were any of the reportable conditions in internal control over major programs material weaknesses: **Not Applicable.**
7. Type of report issued on compliance for major programs: **Unqualified.**
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): **None reported.**
9. The following is an identification of major programs:

Community Disaster Block Grant, CFDA #14.218
10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was **\$300,000.**
11. Did the auditee qualify as low-risk under OMB Circular A-133, Section 530: **Yes.**

Part II – Financial Statement Findings and Questioned Costs

There are neither findings nor questioned costs.

Part III –Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs.